

Message Text

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ORIGIN SS-20

INFO OCT-01 EUR-25 ISO-00 SCI-06 SSO-00 NSCE-00 INRE-00

SAJ-01 ACDA-19 CIAE-00 INR-10 IO-15 L-03 NSAE-00

NSC-10 RSC-01 SCEM-02 AEC-11 TRSE-00 EB-11 OMB-01 H-03

PM-07 SPC-03 PRS-01 /150 R

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L STATE 203324

E.O. 11652: GDS

TAGS: TECH, PFIN, GW

SUBJECT: FRG PURCHASE OF URANIUM ENRICHMENT SERVICES

FROM USSR - OFFSET AGREEMENT

REF: BONN 14704

1. UNDER SECRETARY CASEY SPOKE BY TELEPHONE TODAY TO AMBASSADOR HERMES WITH REGARD TO POSSIBILITY OF FRG PURCHASE OF URANIUM ENRICHMENT SERVICES FOR INCLUSION IN OFFSET AGREEMENT. UNDER SECRETARY STATED THAT IN OUR VIEW THIS COULD BE IMPORTANT CONTRIBUTION TO OFFSET AND WE ARE WILLING TO MAKE WHAT ACCOMMODATIONS WE CAN SO THAT IT CAN BE INCLUDED. HOWEVER, ACCOMMODATION BY FRG WILL ALSO BE NECESSARY IF ALL OBSTACLES ARE TO BE OVERCOME.

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2. WITH REGARD TO AEC CONDITIONS WHICH POENSGEN SAID

CREATED PROBLEMS, WE ARE WILLING TO DO THE FOLLOWING:

A. ON SOURCE OF NATURAL URANIUM FEED, FRG COULD OBTAIN SUPPLY FROM WHATEVER SOURCE IT DESIRES.

B. WITH REGARD TO DELIVERY OF FEED, SCHEDULE IS NEGOTIABLE.

C. STOCKPILING: US WOULD WISH ENRICHED URANIUM SUPPLIED UNDER ARRANGEMENT TO BE USED IN CIVIL POWER REACTORS WITHIN FRG. WE WOULD EXPECT THAT ENRICHED URANIUM SUPPLIED UNDER SUCH ARRANGEMENT WOULD BE UTILIZED BY END 1982, WHICH

APPEARS CONSISTENT WITH NUKEM PLAN. OTHER DETAILS OF STOCKPILING ARRANGEMENT ARE NEGOTIABLE.

3. CONCERNING PRICE, THIS IS ONE AREA IN WHICH WE HAVE NO FLEXIBILITY. AEC IS PROHIBITED BY ATOMIC ENERGY ACT FROM OFFERING FOREIGN CUSTOMERS LOWER PRICE THAN DOMESTIC CUSTOMERS. THEREFORE, REDUCTION IN PRICE WILL NOT BE POSSIBLE. (PRICE SHOULD REMAIN AT \$36 PER KILOGRAM SW THROUGH DECEMBER 31, 1973, THEREAFTER INCREASING TO \$36.40 ON JANUARY 1, 1974 AND TO \$36.80 ON JULY 1, 1974. UNDER AEC ENRICHMENT SERVICES CRITERIA, PRICE MUST BE THAT IN EFFECT WHEN ENRICHED URANIUM DELIVERED.)

4. NECESSARY ACCOMMODATION ON FRG SIDE RELATES, FIRST, TO CLOSING COST GAP BETWEEN US AND USSR ENRICHMENT SERVICES. BECAUSE, AS EXPLAINED ABOVE, AEC HAS NO FLEXIBILITY ON PRICE, THIS WILL HAVE TO BE DONE IN SOME OTHER WAY. ONE POSSIBILITY WOULD BE ADVANTAGEOUS CREDIT TERMS. THEORETICALLY, THESE COULD BE PROVIDED BY US, BUT IF THEY WERE, SALE WOULD NOT QUALIFY FOR INCLUSION IN OFFSET. THEREFORE, GAP WOULD HAVE TO BE CLOSED BY MEANS OF FRG FINANCIAL INDUCEMENTS TO NUKEM. WE REALIZE, AS POINTED OUT IN REFTEL, THAT THIS MAY BE VERY DIFFICULT, BUT WE HOPE THAT FRG WILL CONSIDER MATTER IN LARGER CONTEXT OF IMPORTANCE OF ACHIEVING HIGH QUALITY OFFSET AGREEMENT. SECOND, IN ORDER TO BE INCLUDED IN OFFSET AGREEMENT CURRENTLY BEING NEGOTIATED, PAYMENT WOULD HAVE TO BE MADE NO LATER THAN JUNE 30, 1975 REGARDLESS OF DATE OF DELIVERY OF ENRICHED URANIUM.
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5. U.S. ABILITY TO INCLUDE BULK PURCHASE OF ENRICHMENT SERVICES UNDER OFFSET AGREEMENT WOULD BE CONTINGENT ON NEGOTIATION OF APPLICABLE CONTRACT DURING MID-NOVEMBER, 1973. WE UNDERSTAND THIS TIMING WOULD MEET WISHES OF GERMAN NEGOTIATORS WHO PLAN TO BE IN U.S. AT THAT TIME.

6. EMBASSY SHOULD DISCUSS MATTER FURTHER WITH POENSGEN,

DRAWING ON ABOVE AS USEFUL. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 12 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE203324
Document Source: CORE
Document Unique ID: 00
Drafter: JWBILLER/USAEC:ASFRIEDMAN
Enclosure: n/a
Executive Order: GS BILLER
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731035/aaaaaziv.tel
Line Count: 116
Locator: TEXT ON-LINE
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BONN 14704
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Jul-2001 by kellerpr>; APPROVED <20-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG PURCHASE OF URANIUM ENRICHMENT SERVICES FROM USSR - OFFSET AGREEMENT
TAGS: TECH, GE
To: BONN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005